

Senate Study Bill 3047 - Introduced

SENATE FILE _____
BY (PROPOSED COMMITTEE ON
WAYS AND MEANS BILL BY
CHAIRPERSON BOLKCOM)

A BILL FOR

1 An Act relating to the amount of net income for which state
2 individual income tax is not imposed and for which a return
3 is not required to be filed and including retroactive
4 applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.5, subsection 3, Code Supplement
2 2011, is amended by striking the subsection and inserting in
3 lieu thereof the following:

4 3. a. The tax shall not be imposed on a resident or
5 nonresident whose net income, as defined in section 422.7, does
6 not exceed the following amounts in the case of married persons
7 filing jointly or filing separately on a combined return, heads
8 of household, and surviving spouses:

9 (1) For tax years beginning on or after January 1, 2012,
10 and before December 31, 2012, seventeen thousand two hundred
11 dollars.

12 (2) For tax years beginning on or after January 1, 2013, and
13 before December 31, 2013, twenty thousand nine hundred dollars.

14 (3) For tax years beginning on or after January 1, 2014,
15 and before December 31, 2014, twenty-four thousand six hundred
16 dollars.

17 (4) For tax years beginning on or after January 1, 2015, and
18 before December 31, 2015, twenty-eight thousand three hundred
19 dollars.

20 (5) For tax years beginning on or after January 1, 2016,
21 thirty-two thousand dollars.

22 b. The tax shall not be imposed on a resident or nonresident
23 whose net income, as defined in section 422.7, does not exceed
24 the following amounts in the case of all other persons for
25 which paragraph "a" does not apply:

26 (1) For tax years beginning on or after January 1, 2012, and
27 before December 31, 2012, twelve thousand dollars.

28 (2) For tax years beginning on or after January 1, 2013, and
29 before December 31, 2013, fifteen thousand dollars.

30 (3) For tax years beginning on or after January 1, 2014, and
31 before December 31, 2014, eighteen thousand dollars.

32 (4) For tax years beginning on or after January 1, 2015, and
33 before December 31, 2015, twenty-one thousand dollars.

34 (5) For tax years beginning on or after January 1, 2016,
35 twenty-four thousand dollars.

1 *c.* In the event the payment of tax under this division would
2 reduce the net income to less than the applicable amount in
3 paragraph "a" or "b", then the tax shall be reduced to that
4 amount which would result in allowing the taxpayer to retain
5 that applicable amount of net income. This paragraph does not
6 apply to estates or trusts.

7 *d.* For the purpose of this subsection, the entire net
8 income, including any part of the net income not allocated
9 to Iowa, shall be taken into account. For purposes of this
10 subsection, net income includes all amounts of pensions or
11 other retirement income received from any source which is not
12 taxable under this division as a result of the government
13 pension exclusions in section 422.7, or any other state law.

14 *e.* If the combined net income of a husband and wife exceeds
15 the applicable amount in paragraph "a", neither of them shall
16 receive the benefit of this subsection, and it is immaterial
17 whether they file a joint return or separate returns. However,
18 if a husband and wife file separate returns and have a combined
19 net income which does not exceed the applicable amount in
20 paragraph "a", neither spouse shall receive the benefit of this
21 subsection, if one spouse has a net operating loss and elects
22 to carry back or carry forward the loss as provided in section
23 422.9, subsection 3. A person who is claimed as a dependent by
24 another person as defined in section 422.12 shall not receive
25 the benefit of this subsection if the person claiming the
26 dependent has net income exceeding the applicable amount in
27 paragraph "a" or "b", or the person claiming the dependent and
28 the person's spouse have combined net income exceeding the
29 applicable amount in paragraph "a" or "b".

30 *f.* In lieu of the computation in subsection 1 or 2, or
31 paragraph "a" of this subsection, if the married persons',
32 filing jointly or filing separately on a combined return, head
33 of household's, or surviving spouse's net income exceeds the
34 applicable amount in paragraph "a", the regular tax imposed
35 under this division shall be the lesser of the maximum state

1 individual income tax rate times the portion of the net income
2 in excess of the applicable amount in paragraph "a" or the
3 regular tax liability computed without regard to this sentence.
4 Taxpayers electing to file separately shall compute the
5 alternate tax described in this paragraph using the total net
6 income of the husband and wife. The alternate tax described
7 in this paragraph does not apply if one spouse elects to carry
8 back or carry forward the loss as provided in section 422.9,
9 subsection 3.

10 Sec. 2. RETROACTIVE APPLICABILITY. This Act applies
11 retroactively to January 1, 2012, for tax years beginning on
12 or after that date.

13 EXPLANATION

14 This bill changes the net income amounts for which state
15 individual income tax is not imposed and for which a return is
16 not required to be filed.

17 Under current law, the state individual income tax is
18 not imposed upon married taxpayers filing jointly or filing
19 separately on a combined return, heads of household, and
20 surviving spouses whose net income is \$13,500 or less. The
21 bill increases this net income amount evenly over a five-year
22 period. The new amounts are \$17,200 for tax years beginning
23 during 2012, \$20,900 for tax years beginning during 2013,
24 \$24,600 for tax years beginning during 2014, \$28,300 for
25 tax years beginning during 2015, and \$32,000 for tax years
26 beginning during 2016 and for every year thereafter.

27 Under current law, the state individual income tax is not
28 imposed upon all other taxpayers whose net income is \$9,000 or
29 less. The bill increases this net income amount evenly over a
30 five-year period. The new amounts are \$12,000 for tax years
31 beginning during 2012, \$15,000 for tax years beginning during
32 2013, \$18,000 for tax years beginning during 2014, \$21,000 for
33 tax years beginning during 2015, and \$24,000 for tax years
34 beginning during 2016 and for every year thereafter.

35 As a result of these changes, and pursuant to Code section

1 422.13, a resident whose net income is equal to or less than
2 the appropriate dollar amounts, as increased in the bill, is
3 not required to make and file an income tax return, and a
4 nonresident is not required to make and file an income tax
5 return if the person's net income is equal to or less than the
6 appropriate dollar amounts, as increased in the bill, after
7 applying the allocation computation in Code section 422.5.

8 The bill applies retroactively to January 1, 2012, for tax
9 years beginning on or after that date.